

Company Registration No. 10178234 (England and Wales)

**HIPPODROME HOLDINGS LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2018**



# HIPPODROME HOLDINGS LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Mr J S Thomas Mr J D Thomas Mr M King Mr J Barnsley Mr G Templer Mr J Edwins J R Delf
<b>Company number</b>	10178234
<b>Registered office</b>	Cranbourn Street London WC2H 7JH
<b>Auditor</b>	RSM UK Audit LLP Chartered Accountants Marlborough House Victoria Road South Chelmsford Essex CM1 1LN

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# HIPPODROME HOLDINGS LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2018

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The directors present the strategic report for the year ended 31 December 2018.

#### **Fair review of the business**

The UK casino market was challenging in 2018. A long, hot summer, increased regulatory and political pressure, slow economic growth and weakened consumer confidence in the face of Brexit combined to make growth difficult. The Casino drop figures in London contracted by 21.9% against 2017 levels and hold levels reduced from 12.3% to 11.4%.

Our live table drop held steady against 2017 levels despite the reduction in the market size although the downward pressure on hold levels experienced in the market affected net income. Income from all other business streams grew strongly, increasing by 7% year on year. This is a solid performance against a difficult market backdrop and a strong indicator of the increasing popularity of The Hippodrome. In 2018 1.7 million customers visited, a 4% increase on 2017 levels. Consumers are increasingly seeking an experience, not simply direct product purchase and the multi-faceted Hippodrome operations – 3 live gaming areas, electronics, slots, high quality restaurant, bars and live theatre shows provide consumers with multiple reasons to visit.

We continue to focus on improving facilities for customers and reinforcing our unique position in the marketplace. During 2018 we refurbished our theatre space to accommodate Magic Mike Live, a show written and produced by Channing Tatum. Whilst our theatre is only a quarter of the size of an average West End theatre, the show earned the sixth largest ticket sale advance in West End history. Since opening in November 2018 it has run at 100% capacity and introduced more than 65,000 new customers to the business.

The quality of The Hippodrome continues to be recognised. In 2018 The Hippodrome was awarded Casino of the year at the Global gaming awards, UK casino of the year and UK casino restaurant of the year at the British Casino awards, in addition to Book a Table Steakhouse of the year. In early 2019 we were named again as UK casino of the year together with best UK marketing programme for Magic Mike Live.

The casino market in the early part of 2019 remains challenging. The Hippodrome business is well placed to meet these challenges. We continue to invest in improving facilities for customers and believe that future prospects for the business are strong.

#### **Principal risks and uncertainties**

The group's activities are subject to a number of risks and uncertainties. The principal risks and how the group manages them are outlined below:

a) Loss of Licence - The gaming licence is fundamental to our primary business activity. The loss of such licence would have a material and adverse effect on the group. The group have in-house Compliance and Risk departments, which ensure compliance with gaming regulations and industry best practice and;

b) Cash flow - As with all businesses ensuring that there is sufficient cash to meet liabilities as they fall due is essential to the continued operation. We manage this risk with cash flow forecasting. The group seeks to minimise liquidity risk by maintaining adequate cash reserves.

#### **Financial risk management objectives and policies**

The directors consider that the group's key financial instruments are preference shares. This facility provides known interest costs for the long term. Consequently no hedging instruments are required.

The group's operations expose it to a variety of financial risks that include the effects of changes in credit and liquidity risk. The group looks to maintain sufficient reserves to meet fluctuations in gaming results.

The group has implemented policies that require appropriate checks on potential customers and operates in strict compliance with the Gambling Act 2005 and industry guidelines on the provision of cheque cashing facilities.

# HIPPODROME HOLDINGS LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### Key performance indicators

The business monitors its progress against a number of KPIs including:

Revenue	£76.5m	(2017: £77.8m)
EBITDA	£5.2m	(2017: £8.6m)
Tax burden	£32.4m	(2017: £33.2m)

The Casino Sector continues to be heavily taxed under the current UK tax system. During the financial year to December 2018 the company paid out £32.4m in Duties, social security, PAYE, VAT and licensing costs. The tax burden accounts for 42% of our turnover.

The company employs 705 people in addition to over 50 full time equivalents on a contracted basis.

The group also monitors its progress against non-financial KPIs such as attendance.

On behalf of the board



.....  
Mr M King  
Director

Date: 18/6/19 .....

# HIPPODROME HOLDINGS LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2018

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The directors present their annual report and financial statements for the year ended 31 December 2018.

#### Principal activities

The principal activity of the group is that of a gaming and entertainment establishment. The principal activity of the company is that of a holding company.

#### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr J S Thomas

Mr J D Thomas

Mr M King

Mr J Barnsley

Mr G Templer

Mr J Edwins

J R Delf

(Appointed 22 January 2019)

#### Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend (2017: £Nil).

#### Qualifying third party indemnity provisions

The group has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

#### Disabled persons

The group recognises its obligations towards disabled persons and endeavours to provide as much employment opportunity as the demands of the company's operations and the abilities of those persons allow.

Applications for employment from disabled persons are reviewed with care and every effort is made to find them, and any existing employees who become disabled, appropriate work and training where needed. It is policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of a person who does not suffer from a disability.

#### Employee involvement

The group's policy is to consult and discuss with employees, staff councils and at meetings, matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

# HIPPODROME HOLDINGS LIMITED

## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### Post reporting date events

On the 10th April 2019, the group acquired 184,805 £1 A Redeemable Preference shares and 203,729 £1 Redeemable Preference shares previously issued by Hippodrome Casino Limited for consideration of £388,534 from an existing shareholder.

### Going concern

At the year end the group had net assets of £11,193,199 (2017: £12,759,926) and net current liabilities of £11,821,782 (2017: net current assets of £3,188,279), which includes a balance of £14.5m falling due in August 2019 in respect of the group's loan facilities and presented within creditors due in less than one year. The directors are in active discussions with the bank to agree an extension to the existing facilities and have received a letter of intent confirming the bank's intention to extend the existing facilities by at least a year. The group began to trade in July 2012 and based on the long term business plans, the directors are confident that the group will generate sufficient cash flows to meet its liabilities as they fall due for payment. Based on cash flow forecasts and the continued support of the shareholders, the directors are of the view that the group has appropriate facilities and access to funding in place for at least 12 months from the date of approving the accounts and have therefore prepared the financial statements on a going concern basis.

### Auditor

RSM UK Audit LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

  
.....  
Mr M King  
Director

  
.....  
Mr J Edwins  
Director

Date: 18/6/19

# **HIPPODROME HOLDINGS LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018**

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The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIPPODROME HOLDINGS LIMITED

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## Opinion

We have audited the financial statements of Hippodrome Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIPPODROME HOLDINGS LIMITED (CONTINUED)

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### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

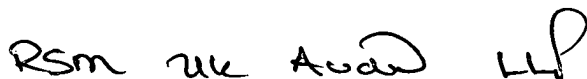
### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Monteith (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
Marlborough House  
Victoria Road South  
Chelmsford  
Essex, CM1 1LN  
20.16.19.

# HIPPODROME HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
Turnover	3	76,517,718	77,817,527
Cost of sales		(30,807,567)	(30,184,825)
<b>Gross profit</b>		<b>45,710,151</b>	<b>47,632,702</b>
Administrative expenses		(43,587,098)	(42,129,600)
<b>Operating profit</b>	<b>4</b>	<b>2,123,053</b>	<b>5,503,102</b>
Interest receivable and similar income	8	9,863	2,655
Interest payable and similar expenses	9	(2,871,391)	(2,858,061)
Other gains and losses	10	5,734,174	1,440,699
<b>Profit before taxation</b>		<b>4,995,699</b>	<b>4,088,395</b>
Tax on profit	11	(644,775)	(1,130,000)
<b>Profit for the financial year</b>		<b>4,350,924</b>	<b>2,958,395</b>

Profit for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

**HIPPODROME HOLDINGS LIMITED****CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2018**

		2018		2017 as restated	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Tangible assets	12		48,600,196		49,077,486
Investments	13		31,001		31,001
			<u>48,631,197</u>		<u>49,108,487</u>
<b>Current assets</b>					
Stocks	15	352,714		294,124	
Debtors	16	2,154,813		2,446,931	
Cash at bank and in hand		20,120,322		18,117,481	
		<u>22,627,849</u>		<u>20,858,536</u>	
<b>Creditors: amounts falling due within one year</b>	17	(34,449,631)		(17,670,257)	
<b>Net current (liabilities)/assets</b>			<u>(11,821,782)</u>		<u>3,188,279</u>
<b>Total assets less current liabilities</b>			36,809,415		52,296,766
<b>Creditors: amounts falling due after more than one year</b>	18		(24,460,032)		(38,836,840)
<b>Provisions for liabilities</b>	22		(1,155,384)		(700,000)
<b>Net assets</b>			<u>11,193,999</u>		<u>12,759,926</u>
<b>Capital and reserves</b>					
Called up share capital	24		13,927		13,927
Other reserves	25		5,461,750		11,378,601
Profit and loss reserves	26		5,718,322		1,367,398
<b>Total equity</b>			<u>11,193,999</u>		<u>12,759,926</u>

The financial statements were approved by the board of directors and authorised for issue on 18/6/19 and are signed on its behalf by:

Mr M King  
Director

Mr J Edwins  
Director

**HIPPODROME HOLDINGS LIMITED****COMPANY STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2018**

		<b>2018</b>		<b>2017</b> <b>as restated</b>	
	<b>Notes</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Fixed assets</b>					
Investments	13	14,006,517		12,885,702	
<b>Current assets</b>					
Debtors	16	-	3,674,367		
<b>Creditors: amounts falling due within one year</b>	17	(15,900,037)	(2,600,000)		
<b>Net current (liabilities)/assets</b>		(15,900,037)		1,074,367	
<b>Total assets less current liabilities</b>		(1,893,520)		13,960,069	
<b>Creditors: amounts falling due after more than one year</b>	18	-		(14,500,000)	
<b>Net liabilities</b>		(1,893,520)		(539,931)	
<b>Capital and reserves</b>					
Called up share capital	24	13,927		13,927	
Own shares	25	(1,000,000)		-	
Profit and loss reserves	26	(907,447)		(553,858)	
<b>Total equity</b>		(1,893,520)		(539,931)	

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group accounts. The company's loss for the year was £353,589 (2017 - £387,186 loss).

The financial statements were approved by the board of directors and authorised for issue on 18/6/19 and are signed on its behalf by:

.....  
Mr M King  
Director

.....  
Mr J Edwins  
Director

# HIPPODROME HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Other reserves	Profit and loss reserves	Total
	as restated £	as restated £	£	£
<b>Balance at 1 January 2017</b>	13,927	11,378,601	(1,590,997)	9,801,531
<b>Year ended 31 December 2017:</b>				
Profit and total comprehensive income for the year	-	-	2,958,395	2,958,395
<b>Balance at 31 December 2017</b>	13,927	11,378,601	1,367,398	12,759,926
<b>Year ended 31 December 2018:</b>				
Profit and total comprehensive income for the year	-	-	4,350,924	4,350,924
Own shares acquired <b>25</b>	-	(1,000,000)	-	(1,000,000)
Other movements <b>25</b>	-	(4,916,851)	-	(4,916,851)
<b>Balance at 31 December 2018</b>	13,927	5,461,750	5,718,322	11,193,999

# HIPPODROME HOLDINGS LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital as restated £	Own shares £	Profit and loss reserves £	Total £
<b>Balance at 1 January 2017</b>	13,927	-	(166,672)	(152,745)
<b>Year ended 31 December 2017:</b>				
Loss and total comprehensive income for the year	-	-	(387,186)	(387,186)
<b>Balance at 31 December 2017</b>	13,927	-	(553,858)	(539,931)
<b>Year ended 31 December 2018:</b>				
Loss and total comprehensive income for the year	-	-	(353,589)	(353,589)
Own shares acquired	-	(1,000,000)	-	(1,000,000)
<b>Balance at 31 December 2018</b>	13,927	(1,000,000)	(907,447)	(1,893,520)

# HIPPODROME HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	£	2017 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	27	10,576,432		10,809,156	
Interest paid		(810,061)		(845,194)	
Income taxes paid		(102,000)		-	
<b>Net cash inflow from operating activities</b>		<b>9,664,371</b>		<b>9,963,962</b>	
<b>Investing activities</b>					
Redemption of preference shares		(1,120,815)		-	
Purchase of tangible fixed assets		(2,572,678)	(1,778,642)		
Interest received		9,863	2,655		
<b>Net cash used in investing activities</b>		<b>(3,683,630)</b>		<b>(1,775,987)</b>	
<b>Financing activities</b>					
Redemption of shares by EBT		(1,000,000)		-	
Proceeds of new bank loans		-	3,000,000		
Repayment of bank loans		(2,600,000)	(2,600,000)		
Payment of finance leases obligations		(377,900)	(751,203)		
<b>Net cash used in financing activities</b>		<b>(3,977,900)</b>		<b>(351,203)</b>	
<b>Net increase in cash and cash equivalents</b>		<b>2,002,841</b>		<b>7,836,772</b>	
Cash and cash equivalents at beginning of year		18,117,481		10,280,709	
<b>Cash and cash equivalents at end of year</b>		<b>20,120,322</b>		<b>18,117,481</b>	

# HIPPODROME HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies

#### Company information

Hippodrome Holdings Limited is a private company limited by shares incorporated in England and Wales. The registered office is Cranbourn Street, London, WC2H 7JH.

The group consists of Hippodrome Holdings Limited and all of its subsidiaries, as listed in note 14. All subsidiaries are included in the consolidated accounts, other than Regent Street Services Limited, as this is not deemed to be material to the group.

The company's and the group's principal activities and nature of its operations are disclosed in the Directors' Report.

#### Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;

The financial statements of the company are included within these consolidated financial statements and are available from the registered office, Cranbourn Street, London, WC2H 7JH.



# HIPPODROME HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies (Continued)

#### **Basis of consolidation**

The consolidated financial statements incorporate those of Hippodrome Holdings Limited and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. In those years when mergers take place, the whole of the results, assets, liabilities and shareholders' funds of the merged companies are consolidated, regardless of the actual merger date, and corresponding figures for the previous years are re-stated. The carrying value of the entities' assets and liabilities are not adjusted to fair value. Any difference between the nominal value of the shares received is taken to other reserves in equity.

All financial statements are made up to 31 December 2018. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The merger reserve arose due to a business combination under the merger method of accounting, incorporating the balance of the share premium reserve of Hippodrome Casino Limited as at the date of the business combination. On 18 July 2018, Hippodrome Casino Limited completed a bonus issue from its Share Premium reserve of 4,796,038 £1 Preference and A Preference shares. This has resulted in a reduction in the balance of the merger reserve as reported within the consolidated financial statements.

#### **Going concern**

At the year end the group had net assets of £11,193,199 (2017: £12,759,926) and net current liabilities of £11,821,782 (2017: net current assets of £3,188,279), which includes a balance of £14.5m falling due in August 2019 in respect of the group's loan facilities and presented within creditors due in less than one year. The directors are in active discussions with the bank to agree an extension to the existing facilities and have received a letter of intent confirming the bank's intention to extend the existing facilities by at least a year. The group began to trade in July 2012 and based on the long term business plans, the directors are confident that the group will generate sufficient cash flows to meet its liabilities as they fall due for payment. Based on cash flow forecasts and the continued support of the shareholders, the directors are of the view that the group has appropriate facilities and access to funding in place for at least 12 months from the date of approving the accounts and have therefore prepared the financial statements on a going concern basis.

#### **Turnover**

Turnover is recognised in the financial statements at the point at which the goods are sold or the services performed. Turnover principally comprises net gaming wins together with revenue generated from the sale of food, beverage and tobacco, at selling price exclusive of Value Added Tax.

The Group provides a customer loyalty programme in the form of reward points for customers to redeem against certain of the casino's services. The fair value of the loyalty scheme is assessed at the reporting date, based on the level of points accrued and management's assessment of the most likely redemption method. The amount to be deferred is included at the reporting date within accruals and released once the points have either been redeemed or expired.

#### **Tangible fixed assets**

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

# HIPPODROME HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies (Continued)

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Short leasehold property	straight line over the course of the lease
Equipment	20% reducing balance basis
Fixtures and fittings	20% reducing balance basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

#### Fixed asset investments

In the separate accounts of the company, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

#### Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### Stocks

Stocks are stated at the lower of cost and estimated selling price less any sales costs. Provision is made for obsolete and slow moving items.

# HIPPODROME HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies (Continued)

#### **Cash and cash equivalents**

Cash and cash equivalents include cash in hand and deposits held at call with banks.

#### **Financial instruments**

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **Basic financial assets**

Basic financial assets, which include trade and other debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest. Any remeasurement gain or loss is recognised in profit and loss.

#### **Impairment of financial assets**

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

#### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

#### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

# HIPPODROME HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies (Continued)

#### ***Basic financial liabilities***

Basic financial liabilities, including trade and other creditors, bank loans and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Where there is a change in the estimated future cash flows, the financial liability is subsequently remeasured using the original effective interest rate. Any re-measurement gain or loss is recognised in the profit and loss.

#### ***Other financial liabilities***

Other debt instruments that do not meet the criteria to be accounted for as basic debt instruments have to be measured at fair value through profit or loss. There were no such items as at 31 December 2018 or 31 December 2017.

#### ***Derecognition of financial liabilities***

Financial liabilities are derecognised when, and only when, the group's contractual obligations are discharged, cancelled, or they expire or if there has been a fundamental or substantive change to the underlying terms.

#### ***Equity instruments***

Equity instruments issued by the group are recorded at the fair value of the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

#### ***Taxation***

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

# HIPPODROME HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies (Continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries that will be assessed to or allow for tax in a future period except where the group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

#### **Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

The company operates an employee share ownership plan (ESOP) trust and has de facto control of the shares held by the trust and bears their benefits and risks. The group records assets and liabilities of the trust as its own. Consideration paid by the ESOP scheme for shares of the company is deducted from equity. Finance costs and administrative expenses incurred by the company in relation to the ESOP are recognised on an accruals basis.

#### **Retirement benefits**

The group operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year. The assets of the scheme are held separately from those of the company in an independently administered fund. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

#### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability.

All other leases are "operating leases" and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

# HIPPODROME HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies (Continued)

#### **Foreign exchange**

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

### 2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### **Critical judgements**

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### ***Lease categorisation***

In order to categorise leases as finance or operating leases, judgements are required over whether significant risks and rewards have transferred to the group.

# HIPPODROME HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 2 Judgements and key sources of estimation uncertainty (Continued)

#### Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

#### Depreciation

Depreciation charges to recognise consumption of economic benefits of tangible fixed assets by the entity are calculated based on rates of depreciation. Depreciation rates are determined by estimation of the diminution in the recoverable amounts in respect of tangible fixed assets over their estimated useful economic lives.

#### Derecognition of financial instruments

The directors have assessed the substance of the company's Preference and A Preference shares and are of the view that these instruments are debt, as opposed to equity. Accordingly, they are presented as a component of liabilities and held at amortised cost.

In determining the carrying value of the liabilities as at the reporting date, the directors estimate the future cash flows expected to arise in connection with the instruments and discount these back to their present value, using the original effective interest rate. Any revisions to the carrying value of the instruments as a result of changes to the directors' estimate of future cash flows are recorded as income or expense in the year of reassessment.

This change in accounting estimate decreased the carrying value of these financial liabilities by £5,734,174 (2017: £1,440,699).

### 3 Turnover and other revenue

An analysis of the group's turnover is as follows:

#### Turnover analysed by geographical market

	2018 £	2017 £
UK	76,517,718	77,817,527

The analysis of turnover by class of business has not been given as in the opinion of the directors such disclosure would be seriously prejudicial to the interests of the group.

### 4 Operating profit

	2018 £	2017 £
Operating profit for the year is stated after charging:		
Foreign exchange losses	9,263	42,227
Depreciation of owned tangible fixed assets	2,946,091	2,686,497
Depreciation of tangible fixed assets held under finance leases	103,877	434,371
Cost of stocks recognised as an expense	3,204,905	3,029,396
Operating lease charges	3,630,307	3,550,313

# HIPPODROME HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 5 Auditor's remuneration

	2018 £	2017 £
Fees payable to the company's auditor and its associates:		
<b>For audit services</b>		
Audit of the financial statements of the group and company	12,250	8,000
Audit of the financial statements of the company's subsidiaries	51,250	48,500
	<u>63,500</u>	<u>56,500</u>
<b>For other services</b>		
Taxation compliance services	7,250	7,000
All other non-audit services	9,975	35,942
	<u>17,225</u>	<u>42,942</u>

### 6 Employees

The average monthly number of persons (including directors) employed during the year was:

	Group 2018 Number	2017 Number	Company 2018 Number	2017 Number
Gaming and hospitality staff	687	668	-	-
Administrative staff	18	22	-	-
	<u>705</u>	<u>690</u>	<u>-</u>	<u>-</u>

Their aggregate remuneration comprised:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Wages and salaries	19,229,461	18,199,920	-	-
Social security costs	1,834,694	1,763,324	-	-
Pension costs	424,521	335,081	-	-
	<u>21,488,676</u>	<u>20,298,325</u>	<u>-</u>	<u>-</u>



# HIPPODROME HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 7 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	875,598	931,034
Company pension contributions to defined contribution schemes	15,000	24,400
	<u>890,598</u>	<u>955,434</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2017 - 1).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2018 £	2017 £
Remuneration for qualifying services	<u>298,277</u>	<u>277,588</u>

### 8 Interest receivable and similar income

	2018 £	2017 £
<b>Interest income</b>		
Interest on bank deposits	<u>9,863</u>	<u>2,655</u>

### 9 Interest payable and similar expenses

	2018 £	2017 £
Interest on bank overdrafts and loans	767,649	780,597
Interest on finance leases and hire purchase contracts	42,412	64,597
Interest on redeemable preference shares not classified as equity	2,061,330	2,012,867
	<u>2,871,391</u>	<u>2,858,061</u>

### 10 Other gains and losses

	2018 £	2017 £
Re-measurement of financial liabilities	<u>5,734,174</u>	<u>1,440,699</u>

### 11 Taxation

	2018 £	2017 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	<u>189,391</u>	<u>30,000</u>

# HIPPODROME HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 11 Taxation (Continued)

#### Deferred tax

Origination and reversal of timing differences	455,384	1,100,000
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Total tax charge for the year	644,775	1,130,000
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The total tax charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2018 £	2017 £
Profit before taxation	4,995,699	4,088,395
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.00%)	949,183	776,795
Tax effect of expenses that are not deductible in determining taxable profit	481,870	353,205
Tax effect of income not taxable in determining taxable profit	(1,089,483)	-
Fixed asset differences	303,205	-
Taxation charge for the year	644,775	1,130,000

The group has unutilised trading losses at 31 December 2018 of £Nil (2017: £2,151,000) available to carry forward against future profits. A deferred tax asset of £Nil (2017: £400,000) arising from trading losses has been recognised in respect of these losses at a rate of 17% (2017: 17%).

# HIPPODROME HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 12 Tangible fixed assets

Group	Short leasehold property	Equipment	Fixtures and fittings	Total
	£	£	£	£
<b>Cost</b>				
At 1 January 2018	52,245,412	8,562,342	4,746,870	65,554,624
Additions	-	1,688,360	884,318	2,572,678
At 31 December 2018	52,245,412	10,250,702	5,631,188	68,127,302
<b>Depreciation and impairment</b>				
At 1 January 2018	9,466,199	4,512,523	2,498,416	16,477,138
Depreciation charged in the year	1,741,512	858,765	449,691	3,049,968
At 31 December 2018	11,207,711	5,371,288	2,948,107	19,527,106
<b>Carrying amount</b>				
At 31 December 2018	41,037,701	4,879,414	2,683,081	48,600,196
At 31 December 2017	42,779,213	4,049,819	2,248,454	49,077,486

The company had no tangible fixed assets at 31 December 2018 or 31 December 2017.

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases:

	Group 2018	2017	Company 2018	2017
	£	£	£	£
Equipment	357,041	985,547	-	-
Depreciation charge for the year in respect of leased assets	103,877	434,371	-	-

The tangible fixed assets of the company have been pledged to secure borrowings of the company.

### 13 Fixed asset investments

	Notes	Group 2018	2017	Company 2018	2017
		£	£	£	£
Investments in subsidiaries	14	1,000	1,000	14,006,517	12,885,702
Unlisted investments		30,001	30,001	-	-
		31,001	31,001	14,006,517	12,885,702

# HIPPODROME HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 13 Fixed asset investments (Continued)

#### Movements in fixed asset investments Group

	Shares in group undertakings	Other investments other than loans	Total
	£	£	£
<b>Cost or valuation</b>			
At 1 January 2018 and 31 December 2018	1,000	30,001	31,001
<b>Carrying amount</b>			
At 31 December 2018	1,000	30,001	31,001
At 31 December 2017	1,000	30,001	31,001

#### Movements in fixed asset investments Company

	Shares in group undertakings £
<b>Cost or valuation</b>	
At 1 January 2018	12,885,702
Additions	1,120,815
At 31 December 2018	14,006,517
<b>Carrying amount</b>	
At 31 December 2018	14,006,517
At 31 December 2017	12,885,702

### 14 Subsidiaries

Details of the company's subsidiaries at 31 December 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct	Indirect
Hippodrome Casino Limited UK		Gaming and entertainment establishment	Ordinary	100.00	-
Regent Street Services Limited	UK	Dormant	Ordinary	-	100.00

# HIPPODROME HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 14 Subsidiaries (Continued)

There is also an Employee Benefit Trust (EBT) over which Hippodrome Casino Limited has de facto control. The assets and liabilities of the EBT are included in the consolidated statement of financial position (see note 33).

All of the above companies are incorporated in the United Kingdom. Regent Street Services Limited is excluded from the consolidation on the basis that the impact on the financial statements is immaterial.

The registered office of Hippodrome Casino Limited is Cranbourn Street, London, WC2H 7JH.

The registered office of Regent Street Services Limited is 3rd Floor, 1 London Square, Cross Lanes, Guildford, GU1 1UN.

### 15 Stocks

	Group 2018 £	2017 £	Company 2018 £	2017 £
Finished goods and goods for resale	352,714	294,124	-	-

### 16 Debtors

	Group 2018 £	2017 £	Company 2018 £	2017 £
<b>Amounts falling due within one year:</b>				
Trade debtors	151,140	315,687	-	-
Other debtors	100,293	147,014	-	-
Prepayments and accrued income	1,903,380	1,984,230	-	-
	2,154,813	2,446,931	-	-

#### Amounts falling due after more than one year:

Amounts owed by group undertakings	-	-	-	3,674,367
<b>Total debtors</b>	<b>2,154,813</b>	<b>2,446,931</b>	<b>-</b>	<b>3,674,367</b>

Included within other debtors above is a bad debt provision of £78,500 (2017: £435,251).

The inter-company debtor is repayable in full by way of a single repayment due within five business days of the final settlement on the senior (bank) loan facilities. Interest is charged at a variable rate as determined and agreed by both parties from time to time.

# HIPPODROME HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 17 Creditors: amounts falling due within one year

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Bank loans and overdrafts	19	14,500,000	2,600,000	14,500,000	2,600,000
Obligations under finance leases	20	332,153	710,053	-	-
Trade creditors		4,716,361	2,496,104	-	-
Amounts due to group undertakings		-	-	1,400,037	-
Corporation tax payable		117,391	30,000	-	-
Other taxation and social security		1,321,709	1,892,923	-	-
Other creditors		12,044,594	9,169,000	-	-
Accruals and deferred income		1,417,423	772,177	-	-
		<u>34,449,631</u>	<u>17,670,257</u>	<u>15,900,037</u>	<u>2,600,000</u>

### 18 Creditors: amounts falling due after more than one year

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Bank loans and overdrafts	19	-	14,500,000	-	14,500,000
Other borrowings	19	24,460,032	24,336,840	-	-
		<u>24,460,032</u>	<u>38,836,840</u>	<u>-</u>	<u>14,500,000</u>

### 19 Borrowings

	Group 2018 £	2017 £	Company 2018 £	2017 £
Bank loans	14,500,000	17,100,000	14,500,000	17,100,000
Preference shares	24,460,032	24,336,840	-	-
	<u>38,960,032</u>	<u>41,436,840</u>	<u>14,500,000</u>	<u>17,100,000</u>
Payable within one year	14,500,000	2,600,000	14,500,000	2,600,000
Payable after one year	24,460,032	38,836,840	-	14,500,000

# HIPPODROME HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 19 Borrowings (Continued)

The bank loan is secured by a debenture over the assets of the group.

£1,000,000 of the bank debt was secured on a life policy in respect of J S Thomas.

Redeemable preference shares are comprised of 16,663,767 (2017: 17,220,886) Preference Shares of £1 each and 18,042,968 (2017: 13,689,814) Preference 'A' Shares of £1 each.

Both classes of preference shares may be redeemed at the company's option at any time without payment of a premium. On winding up both sets of preference shares rank equally ahead of only the ordinary shares and will be repaid at par and any accrued preferential dividends. No voting rights are allocated to either class of preference shares. The holders of the Preference Shares of £1 each are entitled to a fixed non-cumulative preferential dividend of 3% on the nominal value, provided there are sufficient profits available for the distribution of the entire (and not part) of the amount of the calculated dividend, with such distributable profits being determined with reference to the final audited accounts of the company for that year and also provided the group retain free cash flow in excess of £6,000,000.

Preference Shares are recognised as a basic financial liability and are measured at amortised cost using an effective interest rate. The total value of Preference Shares at amortised cost using the effective interest rate at the reporting date is £11,744,011 (2017: £13,558,605).

'A' Preference Shares are recognised as a basic financial liability and are measured at amortised cost using an effective interest rate. The total value of 'A' Preference Shares at amortised cost using the effective interest rate at the reporting date is £12,716,021 (2017: £10,778,235).

Reconciliation of movements in preference shares:

	£
Carrying value of Preference and A Preference shares as at 1 January 2018	24,336,840
Interest charge in respect of Preference and A Preference shares	2,061,330
Bonus issue in the year	4,796,039
HHL Redemption of Preference and A Preference shares on 18 July 2018	(1,000,003)
Re-measurement of expected future cash flows	<u>(5,734,174)</u>
Carrying value of Preference and A Preference shares as at 31 December 2018	<u>24,460,032</u>

### 20 Finance lease obligations

	Group 2018 £	2017 £	Company 2018 £	2017 £
Future minimum lease payments due under finance leases:				
Less than five years	<u>332,153</u>	<u>710,053</u>	<u>-</u>	<u>-</u>

Hire purchase agreements are secured against the assets to which they relate.

The group's significant leasing arrangements are in respect of leased gaming machines.

# HIPPODROME HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 21 Financial instruments

	Group 2018 £	2017 £	Company 2018 £	2017 £
<b>Carrying amount of financial assets</b>				
Debt instruments measured at amortised cost	251,433	462,701	n/a	n/a
Equity instruments measured at cost less impairment	30,001	30,001	n/a	n/a
<b>Carrying amount of financial liabilities</b>				
Measured at amortised cost	57,138,410	53,874,121	n/a	n/a

As permitted by the reduced disclosure framework within FRS 102, the company has taken advantage of the exemption from disclosing the carrying amount of certain classes of financial instruments, denoted by 'n/a' above.

### 22 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Group	Liabilities 2018 £	Liabilities 2017 £
Accelerated capital allowances	1,155,384	1,100,000
Tax losses	-	(400,000)
	<u>1,155,384</u>	<u>700,000</u>

The company has no deferred tax assets or liabilities.

	Group 2018 £	Company 2018 £
<b>Movements in the year:</b>		
Liability at 1 January 2018	700,000	-
Charge to profit or loss	455,384	-
Liability at 31 December 2018	<u>1,155,384</u>	<u>-</u>

The deferred tax liability set out above is expected to reverse by £Nil within the next 12 months.



# HIPPODROME HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 23 Retirement benefit schemes

	2018	2017
	£	£
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	424,521	335,081

The group operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

Contributions totalling £33,904 (2017: £51,061) were payable to the fund at the year end and are included in creditors.

### 24 Share capital

	Group and company 2018	2017 as restated
	£	£
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
4,576,594 Ordinary 'A1' shares of 0.1p each	4,577	4,577
4,477,079 Ordinary 'A2' shares of 0.1p each	4,477	4,477
296,172 Ordinary 'B' shares of 0.1p each	296	296
4,576,594 Ordinary 'C' shares of 0.1p each	4,577	4,577
	<u>13,927</u>	<u>13,927</u>

During the year, an adjustment was made to restate share capital. Share capital had incorrectly been recognised on incorporation as being shares of 1p each, rather than 0.1p each. The effect of this adjustment was to reduce share capital from £139,266 to £13,927, a decrease of £125,339. This subsequently caused the merger reserve to increase by the same amount. In the entity only financial statements of Hippodrome Holdings Limited, the share capital was reduced in the same way, with the investments in subsidiaries also decreasing by £125,339.

The Ordinary 'A1' and Ordinary 'A2' shares rank pari passu in all respects and carry full voting, dividends and capital distribution rights. They do not confer any rights of redemption.

The Ordinary 'B' and Ordinary 'C' shares carry full dividend and capital distribution rights. They do not confer any rights to vote and they are not redeemable.

### 25 Other reserves

The other reserve is made up of a merger reserve of £6,461,750 (2017: £11,378,601) and an ESOP reserve of (£1,000,000) (2017: £Nil).

The merger reserve arose due to a business combination under the merger method of accounting, incorporating the balance of the share premium reserve of Hippodrome Casino Limited as at the date of the business combination. On 18 July 2018, Hippodrome Casino Limited completed a bonus issue from its Share Premium reserve of 4,796,038 £1 Preference and A Preference shares. This has resulted in a reduction in the balance of the merger reserve as reported within the consolidated financial statements.

The ESOP reserve represents the consideration paid for shares repurchased to be distributed to employees.

# HIPPODROME HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 26 Profit and loss reserves

The profit and loss reserve represents cumulative profit and loss net of distributions to owners.

### 27 Cash generated from group operations

	2018 £	2017 £
Profit for the year after tax	4,350,924	2,958,395
Adjustments for:		
Taxation charged	644,775	1,130,000
Finance costs	2,871,391	2,858,061
Investment income	(9,863)	(2,655)
Depreciation and impairment of tangible fixed assets	3,049,968	3,120,868
Other gains and losses	(5,734,174)	(1,440,699)
Movements in working capital:		
(Increase)/decrease in stocks	(58,590)	21,151
Decrease/(increase) in debtors	292,118	(876,622)
Increase in creditors	5,169,883	3,040,657
<b>Cash generated from operations</b>	<b>10,576,432</b>	<b>10,809,156</b>

### Major non cash transactions

During the year, interest totalling £2,061,330 (2017: £2,012,867) was charged to the consolidated statement of comprehensive income in relation to the preference shares.

### 28 Operating lease commitments

#### Lessee

Operating lease payments represent rentals payable by the group in respect of leases of its properties. The group's operating leases have non-cancellable terms of 30 years from inception of the lease. Lease costs are renegotiated at various break points over the term of the lease. Leases include minimum increases based on market rates up to each break point in the lease.

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Within one year	3,005,000	3,005,000	-	-
Between one and five years	12,020,000	12,020,000	-	-
In over five years	42,330,000	45,335,000	-	-
	<u>57,355,000</u>	<u>60,360,000</u>	<u>-</u>	<u>-</u>

# HIPPODROME HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 29 Events after the reporting date

On the 10th April 2019, the group acquired 184,805 £1 A Redeemable Preference shares and 203,729 £1 Redeemable Preference shares previously issued by Hippodrome Casino Limited for consideration of £388,534 from an existing shareholder.

### 30 Related party transactions

#### Remuneration of key management personnel

The remuneration of key management personnel of the group, who are also directors, is as follows.

	2018 £	2017 £
Aggregate compensation	1,004,251	1,064,149

### 31 Directors' transactions

During the year the group paid £47,952 (2017: £45,171) in machine rental charges purchased from World Bingo Tech Limited, a company controlled by J S Thomas. At 31 December 2018, £3,348 (2017: £4,687) was owed by the company to World Bingo Tech Limited. All purchases are on an arms length basis.

### 32 Controlling party

J S Thomas and J D Thomas are considered to be the ultimate controlling parties by virtue of their shareholdings in Hippodrome Holdings Limited.

### 33 Employee benefits trust

The assets and liabilities of the Employee Benefit Trust included in the balance sheet of the group are:

	2018 £	2017 £
250,100 Ordinary 'B' shares of 0.1p each	1,000,000	-
Amount owed to Hippodrome Holdings Limited	(1,000,000)	-
	-	-

On 17 July 2018, the company ("HHL") entered into a Share Purchase Agreement ("the SPA") with Peter McNally, a former shareholder of the group, and Link Trustees (Jersey) Limited, the corporate trustee of The Hippodrome Casino Employee Benefit Trust ("the EBT"), to acquire 250,100 0.1p Ordinary B non-voting shares previously issued by HHL. The funds required to pay the purchase price and acquire the shares in accordance with the SPA have been loaned to the EBT by HHL under the terms of a separate loan agreement dated 17 July 2018.

The EBT has been assessed by the directors as an intermediate payment arrangement and have been consolidated into the entity only financial statements of the sponsoring entity, HHL.